No. 20230

IN THE

United States Court of Appeals

FOR THE NINTH CIRCUIT

SOLENOID DEVICES, INC., a California corporation,
Appellant,

vs.

LEDEX, INC., an Ohio corporation,
Appellee.

Appeal From the United States District Court for the Southern District of California, Central Division.

APPELLANT'S REPLY BRIEF.

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In its Answering Brief, Appellee is knocking down strawmen which have not been set up by Appellant in its brief. They are Appellee's own creations.

For example, Appellant has not asserted that the District Court's discretion to refuse to entertain declaratory relief actions has been abolished in patent cases. Appellant fully recognizes the discretionary nature of declaratory judgment relief, but has asserted that this discretion is not to be exercised arbitrarily, but in accordance with fixed principles of law. Appellant has further asserted that useful and controlling standards have been developed by the authorities for determining whether a District Court's exercise of discretion in refusing to entertain declaratory judgment suits in patent cases is reasonable and proper; and that the District Court in the

case at Bar has not exercised its discretion in accordance with such standards.

Appellee quotes on page 5 of its brief from the opinion of the Supreme Court of the United States in *Public Affairs Associates, Inc. v. Rickover,* 369 U.S. 111, 82 S. Ct. 580, but neglected to continue with the next sentence, as follows:

> "Of course a District Court cannot decline to entertain such an action as a matter of whim or personal disinclination. 'A declaratory judgment, like other forms of equitable relief, should be granted only as a matter of judicial discretion, exercised in the public interest' (citations)." (369 U.S. 112).

Appellant recognizes the requirements for a declaratory judgment action spelled out in *Maryland Casualty Co. v. Pacific Coal and Oil Co. et al.,* 312 U.S. 270, 61 S. Ct. 510, cited by Appellee. In that case the requisite controversy *was* found to be present by the Supreme Court. Appellant has explained fully in its main brief, pages 13-24, why a genuine controversy is found in the present case. This controversy is not "technical" and unreal as Appellee suggests. The denial of patent validity by Appellant was not "routine," but was based upon a carefully prepared report which showed that rotary solenoids claimed by the Vandewege patent had been "on sale" more than one year before the application for that patent had been filed.

Appellee asserts that in addition, it must be in the "public interest" for the Court to render the declaration sought, citing *Great Lakes Dredge & Dock Co. v. Huffman,* 319 U.S. 293, 63 S. Ct. 1070. In that case the Supreme Court declared that it was "in the public interest that federal courts of equity should exercise

their discretionary power to grant or withhold relief *so as to avoid needless obstruction of the domestic policy of the states.*" (Emphasis Supplied—319 U.S. 298). The Supreme Court, therefore, affirmed the judgment of dismissal of the action by the lower court after trial on the merits "but solely on the ground that, in the appropriate exercise of the court's discretion, relief by way of a declaratory judgment should have been denied without consideration of the merits." (319 U.S. 301).

For the District Court to entertain the present action would in no way interfere with the public interest of any state or municipal government, or of the federal government. On the contrary, it would be *in the public interest* to have stricken down as invalid the Vandewege patent so that it would "not remain in the art as a scarecrow."

See:

Addressograph-Multigraph Corp. v. Cooper et al., 156 F. 2d 483, 485 (C.C.A. 2, 1946);

Brunswick-Balke-Collender Co. v. American B & B Corp., 150 F. 2d 69, 70 (C.C.A. 2, 1945);

Bresnick v. United States Vitamin Corp., 139 F. 2d 239, 242 (C.C.A. 2, 1943).

Further, as to where the public interest lies, it has been stated:

> "* * * In a patent case there are three interested parties, the patent holder, the user of an accused device and the public. The interest of the last is paramount. Devices in the public domain should not be subject to appropriation by entrepreneurs through fallacious letters patent. * * *"
>
> *Hycon Mfg. Co. v. H. Koch & Sons,* 219 F. 2d 353 (C.A. 9, 1955).

"The public is a silent but an important party in interest in all patent litigation, * * *".

Long v. Arkansas Foundry Co., 247 F. 2d 366 (C.A. 8, 1957);

Caldwell v. Kirk Mfg. Co., 269 F. 2d 506 (C.A. 8, 1959).

Where, therefore, as here, the validity of Letters Patent of the United States is attacked in a declaratory judgment suit, the public interest in having such Letters Patent subjected to judicial scrutiny, and invalidated where the evidence so warrants such action, militates most strongly in favor of the District Court's entertaining jurisdiction of such a suit.

This, then, is an even further reason why the District Court in the case at Bar abused its discretion in dismissing Appellant's complaint.

The *Dr. Beck & Co. v. General Electric Co.* case, cited by Appellee and decided by the Court of Appeals for the Second Circuit (reported in 317 F. 2d 538 [C.A. 2, 1963]), illustrates the type of situation where discretion *may* be properly exercised by a District Court to refuse to entertain an action for declaratory judgment of patent invalidity. In that case there was:

(1) An issue whether anyone of the employees of the defendant patent owner who made charges of infringement against the plaintiff had "actual or apparent authority to make such a charge on behalf of defendant." The Court found in the negative and stated:

"A charge of infringement by agents who have no authority to make it does not create a controversy." (317 F. 2d 539).

(2) An issue as to whether plaintiff had any serious plans to engage in business in the United States, or that its plans were at all altered by the charge of infringement.

Neither of such factual circumstances was before the District Court in the case at Bar. The infringement charge and suggestion of plaintiff's need for a license under the Vandewege patent-in-suit were made by defendant's president himself; and plaintiff's business has been alleged to have been in existence and devalued by defendant's infringement charge. *The Dr. Beck & Co.* case does not, therefore, support the action of the District Court in the present case.

For the reasons stated in Appellant's main brief and hereinabove, Appellant submits that the District Court's order of dismissal should be reversed.

Dated: November 11, 1965.

Respectfully submitted,

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Certificate.

I certify that, in connection with the preparation of this Brief, I have examined Rules 18 and 19 of the United States Court of Appeals for the Ninth Circuit, and that, in my opinion, the foregoing Brief is in full compliance with those rules.

WILLIAM H. PAVITT, JR.,